

**DEPARTMENT OF REGULATORY AGENCIES  
DIVISION OF REAL ESTATE  
COMMUNITY ASSOCIATION MANAGERS  
4 CCR 725-7**

**EMERGENCY RULE**

**D RULES – RENEWAL, TRANSFER, INACTIVE LICENSE, REINSTATEMENT & INSURANCE**

Pursuant to and in compliance with Title 12, Article 61 and Title 24, Article 4, C.R.S. as amended, notice of emergency rulemaking is hereby given, including notice to the Attorney General of the State of Colorado and to all persons who have requested to be advised of the intention of the Director of Real Estate to promulgate rules, or to amend, repeal or repeal and re-enact the present rules related to community association managers.

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**Section 1. Statement of Basis and Authority**

The statutory basis for the rules titled Rules Regarding Community Association Managers is Part 10 of Title 12, Article 61, Colorado Revised Statutes, as amended.

**Section 2. Scope and Purpose**

The Director of the Division of Real Estate (“Director”) finds that immediate adoption of this emergency rule is imperatively necessary to comply with state law, including §§ 12-61-1001, C.R.S., et seq., the “Act”) and that compliance with the rulemaking requirements of § 24-4-103, C.R.S., applicable to non-emergency rules, would be contrary to the public interest.

As a result of the passage of HB 13-1277, the Act requires licensing for anyone who engages in certain defined activities of a “community association manager” relating to the management of a common interest community. The legislation empowering the Director to promulgate rules is effective January 1, 2015 and individuals needing to be licensed must do so by July 1, 2015. As a result, it is imperatively necessary that the Director promulgate rules pertaining to the requirements needed for licensure on an emergency basis.

The purpose of this emergency rule is to ensure compliance with §§ 12-61-1001, C.R.S., et seq., and is to effectuate the legislative directive to promulgate necessary and appropriate rules for the implementation of part 10 of Title 12, Article 61.

The specific purpose of the emergency rules is to promulgate rules pertaining to the education, testing, licensing, and insurance requirements needed for licensure.

Without the immediate adoption of the emergency rules, the public’s interest is not served. Wherefore, pursuant to § 24-4-103(6), C.R.S., the Director has stated needs to adopt these emergency rules.

### **Section 3. Applicability**

The emergency rules govern community association managers who are subject to the requirements of Part 10 of Title 12, Article 61 of the Colorado Revised Statutes.

### **Section 4. D RULES: RENEWAL, TRANSFER, INACTIVE LICENSE, REINSTATEMENT & INSURANCE**

#### **D-1) Initial License renewal.**

An initial license will be issued for a period commencing on the issuance date and expiring on December 31st of the year of issuance.

#### **D-2) Annual renewal.**

The license renewal period begins November 1st of each calendar year and ends December 31st of each calendar year. Licensees who renew their license may only do so if they are compliant with all provisions of the Act and all Director rules.

#### **D-3) Inactive license request.**

A licensee may request that the Division's records show their license inactive until proper request for reactivation has been made, or until their license has expired.

#### **D-4) Inactive license must be renewed.**

A community association manager whose license is on inactive status must apply for renewal of such inactive license and pay the regular renewal fees.

#### **D-5) Reinstatement.**

A licensee with an expired license may choose to reinstate his or her license. The reinstatement period begins January 1st of each calendar year immediately following the expiration and ends on December 31st of each calendar year. Individuals who reinstate their expired license may only do so if they are compliant with all provisions of the Act and all Director rules. The fee to reinstate will be by payment of the reinstatement fee equal to one and one-half the regular renewal fee. Any person who fails to apply for reinstatement within one year after expiration of a license will be treated as a new applicant for licensure.

#### **D-6) Renewal or reinstatement using method approved by Director.**

A community association manager may renew or reinstate their license online or by submitting a renewal or reinstatement application form provided by the Division or by other methods acceptable to the Director.

#### **D-7) Renewal and Reinstatement fees are non-refundable.**

All fees paid for the renewal or reinstatement of a license are non-refundable.

#### **D-8) Form and fees required to change license.**

No change in license status will be made except in a manner acceptable to the Director to effect such change and upon payment of the statutory fees for such changes.

#### **D-9) Errors and omissions (E&O) insurance requirements.**

Every active licensed community association management company and sole proprietorship must have in effect a group policy of errors and omissions insurance to cover all acts requiring a license.

- 1) Community association management companies and sole proprietorships must obtain errors and omissions group coverage from an insurance carrier subject to the following terms and conditions:
  - a) The insurance carrier is licensed and authorized by the Colorado Division of Insurance to write policies of errors and omissions insurance in this state and is in conformance with all Colorado statutes.
  - b) The insurance carrier maintains an A.M. Best rating of "A-" or better.
- 2) The group policy, at a minimum, must comply with all relevant conditions set forth in this Rule D-9 and the insurance carrier so certifies in an affidavit issued to the insured in a form specified by the Director and agrees to immediately notify the Director of any cancellation or lapse in coverage. Coverage must provide, at a minimum, the following:
  - a) The contract and policy are in conformance with this Rule D-9 and all relevant Colorado statutory requirements.
  - b) Coverage for all acts for which a community association manager license is required, except those illegal, fraudulent or other acts which are normally excluded from such coverage.
  - c) Coverage is for not less than \$1,000,000 per covered claim, with an annual aggregate limit of not less than \$1,000,000. Costs of investigations and defense must be outside of these limits and are subject to their own per claim and aggregate limits.
  - d) Payment of claims by the provider will be on a first dollar basis and the provider will look to the insured for payment of any deductible.
  - e) Coverage contains a deductible no greater than \$5,000.
  - f) That the provider of the policy has executed an affidavit in a form or manner specified by the Director attesting that the policy is in force and, at a minimum, complies with all relevant conditions set forth herein and that the provider will immediately notify the Director in writing of any cancellation or lapse in coverage of any policy.
- 3) Each community association management company and sole proprietorship applying for licensure, activation, renewal or reinstatement must certify compliance with this Rule D-9 and § 12-61-1004, C.R.S., on forms or in a manner prescribed by the Director. Any community association management company or sole proprietorship, who so certifies

and fails to obtain errors and omissions group coverage or who fails to provide proof of continuous coverage directly to the Director, will be placed on inactive status and all licensees operating under such policy will be placed on inactive status:

- a) Immediately, if certification of current insurance coverage is not provided to the Director; or
- b) Immediately upon the expiration of any current insurance when certification of continued coverage is not provided.

#### **D-10) Crime fidelity insurance requirements.**

Every active licensed community association management company and sole proprietorship must have in effect a crime fidelity insurance policy covering the dishonest acts of all employees in the community association management company or sole proprietorship.

- 1) Community association management companies and sole proprietorships must obtain crime fidelity coverage from an insurance carrier subject to the following terms and conditions:
  - a) The insurance carrier is licensed and authorized by the Colorado Division of Insurance to write policies of crime fidelity insurance in this state and is in conformance with all Colorado statutes.
  - b) The insurance carrier maintains an A.M. Best rating of "A-" or better.
- 2) The policy, at a minimum, must comply with all relevant conditions set forth in this Rule D-10 and the insurance carrier so certifies in an affidavit issued to the insured in a form specified by the Director and agrees to immediately notify the Director of any cancellation or lapse in coverage. Coverage must provide, at a minimum, the following:
  - a) The contract and policy are in conformance with this Rule D-10 and all relevant Colorado statutory requirements.
  - b) Coverage is exclusive to covering acts contemplated under the current Act and these Director rules.
  - c) Coverage is for the maximum amount of funds that will be in the custody and control of the community association management company or sole proprietorship at any given time. However, in no event shall any such amount be less in aggregate than two months of current assessments plus reserves, as calculated from the current budget of the common interest community, or be less than fifty thousand dollars, whichever is greater, for each common interest community managed by the community association management company or sole proprietorship. This coverage includes, but is not limited to, any community association management company, sole proprietorship, or designated manager that controls or disburses funds of the common interest community, or that is authorized to sign checks on behalf of the common interest community. Costs of investigations and defense must be outside of these limits and are subject to their own per claim and aggregate limits.
  - d) Payment of claims by the provider will be on a first dollar basis and the provider will look to the insured for payment of any deductible.

- e) Coverage contains a deductible no greater than one (1) percentage point of the total face amount of the policy.
  - f) That the provider of the policy has executed an affidavit in a form or manner specified by the Director attesting that the policy is in force and, at a minimum, complies with all relevant conditions set forth in these Director rules and that the provider will immediately notify the Director in writing of any cancellation or lapse in coverage of the any policy.
- 3) Each community association management company and sole proprietorship applying for licensure, activation, renewal or reinstatement must certify compliance with this rule and § 12-61-1004, C.R.S., on forms or in a manner prescribed by the Director. Any community association management company or sole proprietorship, who so certifies and fails to obtain fidelity coverage or to provide proof of continuous coverage directly to the Director, will be placed on inactive status and all licensees operating under such policy will be placed on inactive status:
- a) Immediately, if certification of current insurance coverage is not provided to the Director; or
  - b) Immediately upon the expiration of any current insurance when certification of continued coverage is not provided.

#### **Section 5. Effective Date**

This emergency rule is effective January 6, 2015.